

Tax Restructuring 2002

Key Components to Indiana's Economic Development

House Enrolled Act 1001ss

- House Enrolled Act 1001ss was passed during the 2002 Special Session of the Indiana General Assembly, and was signed into law by Governor O'Bannon on June 28, 2002.
- This historic bill restructured Indiana's tax system in such a manner that the business taxes were simplified, real estate reassessment impacts were lessened, and additional taxes were eliminated.

Corporate Taxes

- The Business Gross Income Tax was eliminated.
- The Supplemental Net Income Tax and the Adjusted Gross Income Tax were consolidated into one Adjusted Gross Income Tax with a rate of 8.5%.

Research Expense Tax Credit (R & D Tax Credit)

- R & D Tax Credit was increased from 5% to 10% of qualified research expenses paid or incurred in the current year over the base amount.
- The apportionment provision contained within the Research Expenses statute was eliminated.
- The termination date for the qualified expenses was extended to December 31, 2004. (Note also the fact that the 2003 Indiana General Assembly extended this date further through December 31, 2013.)
*For more in depth information, go to:
http://www.in.gov/doc/compare/Research_Expense_Tax_Credit.htm

"Inventory Taxes"

- A state-wide 100% deduction for the assessed value of inventory will be available to all Indiana taxpayers for assessments made in 2006 for taxes payable in 2007.
- An interim deduction for the assessed value of inventory may be adopted by counties on a county-by-county basis between January 1, 2003 and March 30, 2004.
- A County Economic Development Income Tax may be enacted by counties implementing the interim deduction in order to offset increased property taxes on homesteads that result from the county's adoption of the deduction.
- A Work-in-Process Interstate Inventory Tax Exemption was extended to inventory that is used in an operation to alter the personal property into a new or changed state that will be shipped out-of-state, or will be incorporated into personal property that will be shipped out-of-state.

New Economic Development Tools

- Venture Capital Investment Tax Credit - A non-refundable tax credit in the amount of 20% of a qualified investment amount provided to a qualified

Indiana business is available through IDOC. Qualified investments may be made only after receiving qualification form IDOC after December 31, 2004.

- Certified Technology Parks - A geographic area within the region of a local redevelopment commission may be certified by IDOC as a certified technology park. Cities, counties or townships may apply to IDOC in order to receive a certification of an area as a certified technology park. Establishment as a park allows the applicant to create an incremental tax funds for sales and income taxes, apply for funding from the Indiana Technology Grant Fund, and provide a partial property tax credit for businesses that locate within the park.

Additional changes included within HEA 1001ss

- Allowed flexible boarding for Indiana gaming riverboats.
- Increased the sales tax from 5% to 6%.
- Provided additional funding to Indiana's Twenty-First Century Research and Technology Fund in the amount of \$15 Million. This amount was subsequently increased during the 2003 Legislative Session to \$37.5 Million for FY '03 & \$37 Million for FY '04.